

**PENNSYLVANIA PUBLIC UTILITY COMMISSION  
BUREAU OF AUDITS**



**REPORT ON  
VICINITY ENERGY PHILADELPHIA, INC.**

**STATEMENTS OF  
STEAM COST RATE  
FOR THE 12-MONTH PERIODS ENDED  
JUNE 30, 2023 AND JUNE 30, 2022**

**JANUARY 15, 2026  
DOCKET NO. D-2024-3049429**

**PA PUC BUREAU OF AUDITS  
DOCKET NO. D-2024-3049429**

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**Background**

Vicinity Energy Philadelphia, Inc. (Vicinity or Company) serves approximately 170 customers within the city of Philadelphia. Vicinity's service territory covers about 4.5 square miles with approximately 40 miles of steam pipeline. According to Vicinity's annual reports filed with the Pennsylvania Public Utility Commission (PUC or Commission), for the years 2023, 2022, and 2021, Vicinity's total revenues were \$79,077,351; \$107,117,091; and \$78,199,474; respectively.

Vicinity's principal source of steam is purchased from the Grays Ferry Cogeneration Partnership (GFCP), a 170-megawatt cogeneration facility with 4.0 million pounds per hour of steam capacity. Beginning in 2012, Vicinity was provided with additional backup steam by Vicinity Energy Efficiency PA (VEEPA) primarily for one of its largest customers, the University of Pennsylvania. VEEPA owns rapid start natural gas and #2 oil-fired boilers. The GFCP, operated by Philadelphia United Power Corporation, and VEEPA, are affiliates of Vicinity. Vicinity has PUC-approved affiliated interest agreements covering these relationships.

Vicinity purchased approximately 92% of its total steam production from GFCP and VEEPA during the fiscal years ended June 30, 2023 and June 30, 2022. To meet the additional steam demand, Vicinity owns and operates two steam production plants. The Schuylkill Station has a boiler capacity of 675 Mlbs per hour and the Edison Station has a boiler capacity of 618 Mlbs per hour. The Edison Station is used mainly for system reliability, peaking, and backup purposes.



## Independent Auditor's Report to the Pennsylvania Public Utility Commission

### Opinion

We have audited Vicinity Energy Philadelphia, Inc.'s Statements of Steam Cost Rate Over/Under Collections for the 12-month periods ended June 30, 2023 and June 30, 2022.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Vicinity Energy Philadelphia, Inc.'s Statements of Steam Cost Rate Over/Under Collections for the 12-month periods ended June 30, 2023 and June 30, 2022 and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America and the requirements of the Pennsylvania Public Utility Commission.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Financial Statements** section of our report. We are required to be independent of Vicinity Energy Philadelphia, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

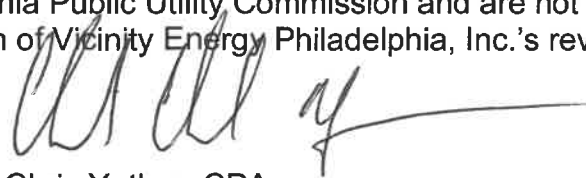
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Vicinity Energy Philadelphia, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Vicinity Energy Philadelphia, Inc.'s ability to continue as a going concern for a reasonable period of time.

The auditor is required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that the auditor identified during the audit.

### **Report on Other Legal and Regulatory Requirements**

The accompanying statements were prepared for the purpose of complying with the rules and regulations of the Pennsylvania Public Utility Commission and are not intended to be a complete presentation of Vicinity Energy Philadelphia, Inc.'s revenue and expenses.



Chris Yother, CPA  
Director  
Bureau of Audits  
Harrisburg, PA  
January 15, 2026

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**Steam Cost Rate (SCR)<sup>1</sup>  
Over/(Under) Collections (Section 1307(e))  
for the 12 months ended June 30, 2023<sup>2</sup>**

<u>Month</u>	<u>Steam Cost Base Rate Revenue</u> (1)	<u>SCR Revenue</u> (2)	<u>SCR Recoverable Costs</u> (3)	<u>SCR Over/(Under) Collections</u> (4) = (1) + (2) - (3)
July 2022	\$ 446,734	\$ 1,115,048	\$ 1,824,744	\$ (262,963)
August	367,972	1,198,562	2,132,548	(566,014)
September	341,991	920,497	1,767,845	(505,357)
October	383,988	1,230,464	1,802,507	( 188,055)
November	646,717	1,924,876	3,403,150	(831,557)
December	1,054,598	3,691,627	6,841,008	(2,094,783)
January 2023	1,790,986	5,290,361	4,256,185	2,825,162
February	1,487,284	2,533,886	4,257,987	(236,817)
March	1,377,786	2,323,435	3,435,632	265,590
April	1,402,485	2,353,836	1,299,434	2,456,887
May	680,746	585,659	3,511,445	(2,245,040)
June	524,581	265,252	1,103,647	(313,814)
<b>Total</b>	<u>\$ 10,505,868</u>	<u>\$ 23,433,503</u>	<u>\$ 35,636,132</u>	<u>\$ (1,696,761)</u>

<sup>1</sup> As reported to the Commission at Docket No. M-2023-3042009. Arithmetic differences are due to rounding.

<sup>2</sup> Notes to the Financial Statements are an integral part of this report.

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**Steam Cost Rate (SCR)<sup>3</sup>  
Over/(Under) Collections (Section 1307(e))  
for the 12 months ended June 30, 2022<sup>4</sup>**

<u>Month</u>	<u>Steam Cost Base Rate Revenue</u> (1)	<u>SCR Revenue</u> (2)	<u>SCR Recoverable Costs</u> (3)	<u>SCR Over/(Under) Collections</u> (4) = (1) + (2) - (3)
July 2021	\$ 403,845	\$ 374,372	\$ 1,108,602	\$ (330,385)
August	362,880	269,960	1,312,045	(679,205)
September	370,126	349,007	1,509,066	(789,933)
October	382,798	476,646	1,534,507	(675,064)
November	514,099	666,268	2,810,476	(1,630,109)
December	1,244,487	1,027,728	3,296,093	(1,023,878)
January 2022	1,409,191	1,750,550	6,888,600	(3,728,859)
February	2,156,616	3,164,159	4,315,643	1,005,132
March	1,993,100	4,894,275	3,118,287	3,769,088
April	1,433,156	2,273,534	2,814,653	892,038
May	973,927	1,505,673	2,521,354	(41,754)
June	534,011	757,012	2,157,864	(866,840)
Total	<u>\$ 11,778,236</u>	<u>\$ 17,509,186</u>	<u>\$ 33,387,192</u>	<u>\$ (4,099,770)</u>

<sup>3</sup> As reported to the Commission at Docket No. M-2022-3034059. Arithmetic differences are due to rounding.

<sup>4</sup> Notes to the Financial Statements are an integral part of this report.

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**Notes to the Financial Statements**

**1 - Statements**

The Steam Cost Rate (SCR) Over/(Under) Collections presented in this report are condensed from the officially filed statements. The audit was conducted on Vicinity's officially filed 1307(e) statements submitted to the PUC in accordance with Section 1307(e)(1) of the Public Utility Code on August 2, 2023, and July 26, 2022. The statements are available on the PUC's website (<http://www.puc.pa.gov>) at Docket Nos. M-2023-3042009 and M-2022-3034059.

**2 - Steam Cost Base Rate Revenue**

Steam Cost Base Rate Revenue is calculated by multiplying the base fuel rate (\$7.782 per thousand pounds of steam sold) as stated in Vicinity's approved tariff by the applicable sales volumes billed.

**3 - SCR Revenue**

SCR Revenue is calculated by multiplying the sales volumes billed by the applicable SCR rate, excluding the E-factor.

**4 - SCR Recoverable Costs**

SCR Recoverable Costs are the costs for the production and purchase of steam permitted to be recovered from customers.

**5 - SCR Over/(Under) Collections**

The Over/(Under) Collection is the difference between the Steam Cost Base Rate Revenue, the SCR Revenue, and the SCR Recoverable Costs. The resulting amount represents the portion of SCR Revenue refundable to or SCR Costs recoverable from customers through subsequent SCR rates. Differences arise for two primary reasons:

- Variations between the actual monthly volumes billed to customers and the estimates used to determine the SCR rates; and,
- Variations between the actual SCR Recoverable Costs and the estimates used to determine the SCR rates.

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**Disposition of Prior Audit Finding**

The previous audit of Vicinity Energy Philadelphia, Inc.'s, Steam Cost Rate for the 12-month periods ended June 30, 2021 and June 30, 2020 at Docket No. D-2021-3029253 disclosed the following finding:

**Finding – Vicinity incorrectly reported its SCR costs in its filed statements for the 12-month periods ended June 30, 2021 and June 30, 2020.**

**Recommendation:**

We recommended that Vicinity implement procedures relevant to SCR documentation, filing, and review.

**Disposition:**

Vicinity agreed with the recommendation and the current audit showed indications that improvements have been made and will continue to implement further policies and procedures for items that materially affect the SCR.